



---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

December 7, 1998

## **FREQUENTLY ASKED YEAR 2000 QUESTIONS FROM BANK CUSTOMERS**

To help banks communicate effectively to customers on issues relating to the Year 2000 (Y2K), the Office of the Comptroller of the Currency believes it may be useful to banks to hear what their customers are asking the agency and how the agency is responding.

Thus, we have compiled this list of questions that the OCC has received in recent months and the answers the agency is providing. The OCC intends to update this list periodically to help banks shape their own public education and customer communications programs. In all instances, the information has been edited to protect the identity of the customer and any specific financial institution.

### **Q. Will my bank be ready for Y2K?**

A. OCC and other financial institution regulators have a comprehensive program in place to ensure that banks are ready to face the challenges of Y2K. By January 1999, OCC will have completed two rounds of on-site exams. Another exam, based on banks' testing of renovated or replaced systems for readiness for the Year 2000, will be completed by July 1999.

Virtually all national banks are making adequate progress in preparing for the Year 2000. As of September 30, 1998, about 97 percent were making satisfactory progress, 3 percent needed improvement and seven banks were making unsatisfactory progress. The OCC and other bank regulators plan to monitor banks' testing of their own systems, and their readiness for the Year 2000 in general, throughout 1999. However, once actual system testing results become available, additional problem areas will be identified and ratings may fluctuate over time. As appropriate, banks will be encouraged -- and in rare instances compelled -- to initiate corrective action on deficiencies. However, OCC cannot give out information on specific banks.

### **Q. My bank won't tell me its rating on its last Y2K exam. Can I find out from the OCC how my bank ranks?**

A. Your bank cannot legally tell you its safety and soundness or Y2K examination rating. Overall, we can tell you that the vast majority of banks examined by OCC have plans in place to deal with Y2K issues. These plans cover both internal systems and those operated by vendors.

OCC is urging banks to provide information to their customers on all aspects of Y2K readiness: assessing their systems and those of their vendors and suppliers, testing, repairing or replacing when necessary. OCC and other regulators required banks to develop customer awareness programs by September 30, 1998. Brochures, telephone hot-lines, seminars and Internet sites are just a few of the tools that banks can use in their customer programs. These awareness tools play an important role in reassuring consumers that their banks are working to ensure smooth, efficient, timely service into the Year 2000. Public awareness and education will be important in ensuring that bank customers have the information they need to know when considering the potential impact of Y2K on their finances.

The OCC is also encouraging bank customers to ask their financial institution what plans it has in place to be ready for the Year 2000.

**Q. In Congressional testimony, former Comptroller Eugene Ludwig said that the OCC has regulatory authority over large data processors and other vendors that do business with national banks, and that the OCC will examine them for compliance by June 1998. Can the public get the results of those exams from the OCC?**

A. The OCC, along with the other federal agencies, is working hard to ensure that banks monitor the readiness of vendors and suppliers, and that banks have contingency plans ready in case key vendors are not Y2K compliant. The vast majority of banks are keenly aware of how important vendor readiness is, and are working very hard to ensure that vendors are ready and that contingency plans are in place. The OCC does not disclose results of examinations.

**Q. Will the OCC require large vendors to have independent third-party validations of their products?**

A. Although the OCC encourages third-party validation, the OCC does not have the legal authority to require that large vendors, other than those owned by banks, have independent assessments of their year 2000 readiness. However, financial institutions regulators have made it clear to banks that they are expected to complete due diligence reviews of service providers and vendors.

**Q. Will my ATM work on January 1, 2000?**

A. Banks, the OCC and many other agencies of the federal government are working very hard to ensure that all financial systems will be operating smoothly and efficiently when the century date change occurs. The OCC encourages you to ask questions of your bank about its Y2K readiness; banks are being encouraged through the Federal Financial Institutions Examination Council (FFIEC) to develop public awareness and customer education programs. The FFIEC is composed of all federal regulators of financial institutions, acting together to increase coordination and consistency. This includes the OCC, the Federal Reserve, the Federal Deposit Insurance Corp., the Office of Thrift Supervision, and the National Credit Union Administration.

**Q. I understand some banks are not testing their vendors, but are relying on tests conducted by other institutions that use the same vendors. What's the OCC's position on this "proxy testing?"**

A. The OCC and the other FFIEC members are urging all financial institutions to be as thorough and as careful as possible in making sure their systems are ready by the end of 1999. In August 1998 guidance, the FFIEC indicated that, if certain conditions are met, proxy testing may be appropriate for financial institutions to test the systems of their service providers and software vendors.

**Q. What exactly is the OCC doing to ensure that banks are ready for the Year 2000?**

A. The OCC, and the other financial institution regulators, are devoting substantial resources to making sure that the institutions we regulate are ready for the Year 2000. During 1998, all financial institutions have had to develop plans to test, repair, replace or remediate their systems. These plans were reviewed by the regulators. Almost all financial institutions were found to be on schedule in their Year 2000 preparations. Institutions that needed to improve their plans have improved their plans or faced disciplinary actions by the OCC or other regulator.

Banks are currently in the testing phase. This is when they verify that their remediation efforts have been successful, or need further work. Internal systems testing will be substantially completed by December 31, 1998. Testing of outside services will be substantially complete by March 31, 1999. All testing should be completed by June 30, 1999. At that time, we expect most financial institutions will be ready to meet the challenges of the new year. The banks that are not ready will be required to put contingency plans in place. The OCC, and other financial institution regulators, are prepared to take whatever steps are necessary to ensure that financial institutions are ready at the end of 1999.

**Q. I read in a newspaper article that my bank isn't ready for Y2K; some private company did a survey and it showed that my bank wasn't compliant. What is OCC's response to that?**

A. OCC encourages customers to rely on information from banks themselves. Some third-party reports or characterizations of banks have been particularly unfounded. That is why it is important for banks to develop their own customer education programs for the Year 2000. This will allow customers to have firsthand information about the bank's effort to get ready for the century date change. Legally, banks cannot release information on their ratings, but banks have been directed to develop customer education programs that can provide substantial detailed information to help you understand what the bank is doing to ensure smooth customer service.